



## **Louisiana Press Club**

April 27, 2015

As prepared for delivery

Thank you so much for having me.

As we move further into 2015 and now that the legislative session is in full swing, it is important to pause... breathe... and, just for a moment, reflect about our choices and their consequences.

In the years just past we've seen the good, the bad and the ugly. Our great country and especially our state have been through a lot.

Last week was of course the 5<sup>th</sup> anniversary of the BP oil spill. On that day, we lost 11 of our fellow citizens and have since experienced the economic and environmental consequences of the worst oil spill in American history.

In August we will commemorate 10 years since Hurricanes Katrina and Rita threatened so many of our communities' futures. Over 1,800 lives lost, over a million displaced across the gulf coast, and New Orleans was underwater after the levees broke.

Because of great sacrifice and a lot of hard work/because we are an exceptional people, tough, resilient, strong - we will be able to celebrate how far we have come.

But what really matters now is how we move forward, together.

For our part / today / New Orleans is on a roll. We are indeed America's greatest comeback story. And I can honestly say that our brightest days are ahead.

So, how did we do it?

How did we go from being literally underwater to one of the fastest growing cities in America, with thousands of new jobs, new industries, rapidly improving schools, rising property values, and rebuilding moving at a breakneck pace?

Well, it took discipline and teamwork. It took determination, it took commitment, and wrapped all together I call our approach **the New Orleans way**.

The New Orleans way means being principled, but practical, focused on making government work for the people. After all, there is no ideology to filling a pothole, fixing a streetlight, opening a playground, putting gas in a police cruiser, or responding to a fire.

The New Orleans way means - government is honest, lean, effective, and entrepreneurial – doing whatever it takes to cut smart, reorganize, and invest in what matters most.

The New Orleans way means - if we can't find a way, / we work together to make one. Everyone must be at the table - local, state and federal government, faith leaders, the private sector, non-profits, neighborhood associations – everyone with equal shares of sacrifice, risk and reward. We can't leave anyone behind.

But here is the most important thing about the New Orleans way.

In our city we say talk is cheap. It is not just about what to do, but how to do it. Big ideas need to hit the streets.

So since 2010 we've been putting the New Orleans way into practice.

It has not been easy.

As a city, we've had to make some tough decisions that hurt. Zero sum decisions; impossible choices between bad and worse; choices like furlough every city employee or don't make payroll, stop hiring police officers or go bankrupt, increase a fee for garbage collection or maintain a structural deficit.

And **we've done it all the New Orleans way** to move forward on a more sound financial footing.

But 5 years ago before we took office, the city's finances were in really bad shape: \$100 million in the hole - 20% of the city's budget - and we were spending \$5 for every \$4 we took in.

Indeed, the city's budget had a structural deficit where every year the city would start below water. Then, to make ends meet, the city historically robbed Peter to pay Paul or used one-time money for recurring expenses. Not unlike what is happening right now at the state level today.

In New Orleans, this was a long-standing condition, but in 2010 right before I took office, the bill had finally come due in a big way - \$300 million in loans was gone, our savings accounts had been drained, and if things had kept going like they were NOPD would have literally run out of money in 90-120 days. That would have meant no paychecks for police. No public safety at all.

At that moment in 2010, New Orleans was like Detroit, on the verge of bankruptcy.

If we had gone over that cliff/businesses would have headed for the hills and a judge could have seized control of our city and unilaterally ordered brutal cuts for police, fire, sanitation, roads.

We avoided this fate through the New Orleans way and we kept our freedom.

But here is the thing, **freedom isn't free**. It took sacrifice, sweat and tears to balance the budget, going from deficit to surplus over the last five years.

And how did we do it?

First, we cut aggressively.

It was pretty simple; we were spending more than we took in. So, we cut a lot, but we cut smart.

It is like when you're trying to lose weight - you don't shed 20 pounds by cutting off an arm. Instead, you diet and exercise, make lifestyle changes. That's cutting smart and it can have a dramatic effect.

Next we went to work reducing waste, fraud, duplication and excess by reorganizing the government. We froze hiring, renegotiated millions in contracts, reorganized departments, boards and commissions to save money. We stopped doing things that the private sector or nonprofits could take over. We reformed city contracting; now it is what you know not who you know.

Then what we saved got invested in top citizen priorities and engines of growth like the public private NOLA Business Alliance & One Stop Shop for permitting. Now, New Orleans is a much, much better place to do business.

It was, and still continues to be painful. We have the scars to prove it. And we are not yet finished. We still have a long way to go. But we are on our way.

But here is the point - we pulled the city out of a fiscal death spiral and simultaneously started a **new**, virtuous cycle where success breeds success - better city services, more jobs, more retail sales, more restaurants, rising property values, and more revenues that can be reinvested in citizen priorities.

Priorities like hiring more cops – during my administration we've put five recruit classes on the streets and one recruit class has already graduated this year. Another class is in session now, and 4 more are budgeted for this year.

Priorities like fighting blight – we're putting thousands of properties back into commerce – over 10,000 blighted units fixed up or torn down in my first term, faster than anywhere else in the country.

Priorities like repairing streetlights – in 2010 about 1 in every 31 streetlights were dark, now we've got 97% of our streetlights working, the most since

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**before** Katrina. And 75% have been converted to energy efficient, brighter, longer lasting LEDs.

This is what we do. This is our governing philosophy.

We try to bring people together. Make tough decisions – cut, reorganize and then invest the savings in the people's top priorities.

We're not perfect, far, far from it, we have a long way to go. For example, we have the police consent decree, the sheriff consent decree, the firefighter pension fund, decaying streets and a whole assortment of long standing problems that we are now confronting and slowly making our way through. We have clearly turned ourselves around. We are getting things done, people are taking notice.

The Wall Street Journal's Market Watch ranked us #1 for most improved city for business in 2011 and Forbes says that New Orleans is America's biggest brain magnet. Bloomberg News wrote we are a top American 'boomtown' and the National Journal labeled us the 'Cajun Comeback.'

Louisiana Economic Development Secretary Stephen Moret said the same thing calling New Orleans the greatest comeback city of the 21<sup>st</sup> century and one of the hottest places to do business in the country.

This is all wonderful to hear.

But now the question is - will all our hard work be worth anything?

There is an old saying that 'as New Orleans goes... so goes the state of Louisiana.'

But it is equally true that 'as the state goes... so goes New Orleans.

We are bound together. Our fates inextricably linked. We are partners and that is why I am here today. Because despite all the success we are having, unfortunately, the story at the state level is basically the opposite. And it is keeping us in New Orleans from reaching our full potential.

Instead of getting stuck with a mid-year **\$100 million** shortfall which represented 20% of our budget like we did - - Governor Blanco left the state with a **\$1 billion** surplus.

The state rainy day fund was full and other state trust funds were flush with billions in cash, earmarked for top priorities like schools, infrastructure, economic development, higher education, coastal restoration, and health care.

Indeed, in 2008 when the economic crisis hit and every other part of the country was sucking wind, Louisiana was not. Our finances were stable and with a construction boom bolstered by federal recovery and insurance dollars we were in fact poised to leap frog the competition.

We could have moved forward with confidence using the **New Orleans way**.

We could have taken on the tough issue of tax reform - reducing exemptions and lowering tax rates.

We could have reorganized our higher education system, cut waste, saved millions and then doubled down on job training at our statewide network of community & technical colleges. And in every corner of the state we would have built a highly skilled workforce to attract more business and better jobs. We'd be better poised to compete in a 21st century knowledge based global economy.

We could have used our carefully saved pennies to expand priority programs like petroleum engineering at UL-Lafayette and pharmacy at UL-Monroe, while also launching LSU into the national top ten.

We could have brought everyone together to restore the coast.

We could have said - we won't leave anyone behind and done something about rising income inequality.

We could have done something about out of control spending for corrections which has gone from \$442 million to about \$750 million today. Indeed, across the country there is a growing bipartisan chorus speaking

out against mass incarceration and Louisiana is the poster boy for this national problem.

We imprison more people than anywhere else and what have we got to show for it? About half of inmates return to prison within five years and Louisiana's crime rate is about 35% higher than the national average.

We need to be tough AND smart on crime. In this regard, New Orleans is already moving forward. We have cut our prison population by a one-third, but we are still the most incarcerated city, in the most incarcerated state, in the most incarcerated country in the world. We can do better and be safer.

We could have invested in things like mental health care, which prevents all sorts of other more expensive problems from homelessness to crime. Small front end investments with big time savings on the back end.

We could have invested in universal prek so every parent of a 3 or 4 year old would have access to high quality, enriching education and an equal opportunity to achieve their dreams.

We could have invested in roads and bridges - built out I-49, fixed the bridge at Lake Charles, or started to knock down the rest of the state's current \$12 billion backlog.

But instead, we have gone in the exact opposite direction. I don't say this to look backwards or point fingers. I say this so we can learn moving forward.

The philosophy of the last eight years has been clear and simple. Cut taxes at all costs, give away the farm, put everything on the credit card, spend recklessly, cut mindlessly, put off tough decisions, and pray the economy grows you out of having to live within your means. And try to divide and conquer with wedge issues that attempt to distract us.

Let's consider how this has worked out. From a \$1 billion surplus, now we have a \$1.6 billion deficit.

Plus, billions in taxpayer trust fund money saved over a generation has been spent in a few short years. It is nearly all gone, used to plug holes in the budget.

We have drained the marrow from our bones, hoping no one will notice, but bones with no marrow are brittle and weak, it is only a matter of time before they break for the whole world to see.

Right now the situation in Baton Rouge is very similar to the mess we found in New Orleans five years ago, but worse.

So in 2015, the state should come together the New Orleans way to find common ground; take on the tough problems; cut and reorganize the government and invest the savings. Do it all. Don't be afraid. No sacred cows and no gimmicks - it has got to actually work.

All this reminds me of a Boudreaux and Thibodaux joke my dad used to tell me.

Boudreaux and Thibodaux got a pilot to fly them to Canada to hunt moose. They managed to bag six. As they were loading the plane to return, the pilot said the plane could take only four moose.

Of course, they objected strongly. "Last year we shot six and the pilot let us take 'em all in that same plane as yours."

Reluctantly, the pilot gave in and all six were loaded. But even on full power, the little plane couldn't handle the load and went down. Miraculously, Boudreaux and Thibodaux survived the crash. Lying in the wreckage, Boudreaux turned to Thibodaux, and asked, "Any idea where we are?"

Thibodaux replied, "I think we're pretty close to the place we crashed last year."

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The point is obvious- if we continue to make the same mistakes, we can expect the same outcomes.

Truth is, by and large, all that has been proposed for this session are short term solutions that spend money today that should be saved for tomorrow - band aids on an infection that needs surgery.



And some things that have been proposed, like repealing the Inventory Tax with nothing to replace it, would actually create more problems than it would solve. Not to mention it doesn't do anything to solve the \$1.6 billion deficit we face this year.

Indeed, if the Legislature decides to abolish this Inventory Tax, property owners will likely see a huge tax increase.

Local governments will lose millions more and may not be able to provide even basic services like trash pickup, police and fire.

It is estimated that 2,700 local teachers would lose their jobs. From there, the St. James Sheriff may lose 40% of his budget and the levee districts in the River Region would lose roughly 36% of their revenue.

In New Orleans, \$11 million in revenue would be gone. That is a severe threat to public safety.

The medicine should not be worse than the disease.

There are other, better ways to raise this revenue that make more sense, have broad support, and don't create new problems.

The question is what is the plan to get out of this mess?

Frankly, this isn't rocket science and with 22 years of experience at the capitol and after dealing with what we had to in New Orleans, the way forward is pretty obvious.

The biggest problem facing our leaders today is that Governor has set up a false choice where we must either destroy higher education, crush business, or undermine local governments' fiscal stability.

There are other options and if we are not beholden to Grover Norquist and Americans for Tax Reform, I think it would be pretty simple.

First and foremost, undo the harm that was done. Go back to the 2008 tax structure. If you don't like that, give a serious look at the recent proposals forwarded by Dr. Jim Richardson and his colleagues.

Second, bringing the cigarette tax to the national average would raise about \$230 million per year and would change behavior and save lives. Conservative Republicans from around the country joined this chorus long ago.

That is good public policy.

Another \$240 million could be saved by getting rid of decades old tax exemptions for horizontal drilling that even some big time supporters of the oil and gas industry recognize as no longer necessary.

Just the cigarette tax and the horizontal drilling exemption alone would save about the same amount as repealing the Inventory Tax and it won't hurt the middle class or public safety.

From there, it is Medicaid expansion, which not only would provide health care to 360,000 Louisiana citizens but also helps solve the healthcare deficit.

These few things would make healthcare and higher education whole, AND we would be in a better place to talk about real tax reform including tax cuts — deductions, exemptions, rebates and all in January.

And we'd be able to work through other options to fill major needs—like the gasoline tax for infrastructure or even collecting taxes on internet sales which helps both the State and local governments.

It does not seem that complicated, but it requires tough minded leadership and a focus on what is **best for the state** at this time.

We cannot afford to fall any further behind. From North Louisiana to Acadiana and New Orleans – small business owners, teachers, students – we are all frustrated, especially since some of the things we should be doing are total no brainers with both conservative and liberal advocates.

Easy stuff that could happen tomorrow - if there was the political will and leadership.

To me, the most obvious no brainer, is the Medicaid expansion. It is not a partisan issue.

The Governor should expand Medicaid today. Look at Arkansas, Kentucky and Ohio. All conservative states that expanded Medicaid.

In the states that have accepted Medicaid, the number of uninsured, down dramatically;

State spending compensating hospitals for expensive trips to the ER and other services, down;

Nationally, growth in medical spending, down.

In Arkansas, premiums are down 2%, while next door in Louisiana premiums are up in some cases nearly 20%.

In Kentucky, actuarial firm Price Waterhouse Coopers worked with University of Louisville to crunch the numbers – in that state, expansion will have a **\$15.6 billion** economic impact and create **17,000** new jobs.

In Arkansas - **8,500** new jobs.

In Ohio - **27,000** new jobs.

For every dollar these states invest they get \$20 back.

That is a good investment – this is like getting a \$10 roast beef poboy from Parkway Bakery for \$.50 cents or \$5.00 worth of beignets at Café Du Monde for \$.25 cents.

How about a \$3.00 pound of crawfish for \$.15 cents, or a little bit of boudin for next to nothing.

But for conservative Ohio Republican Governor John Kasich the decision was rooted in his faith.

The Ohio Governor is passionate about this and often points to Matthew 25 - *“For I was hungry and you gave me food, I was thirsty and you gave me drink, I was a stranger and you welcomed me... as you did it to one of the least of these my brothers, you did it to me.”*

Meanwhile, in Louisiana another **\$235 million** in state health care cuts would potentially close emergency rooms in Baton Rouge. In New Orleans, we are looking at an \$87 million shortfall in what we need to run the University Medical Center and LSU medical school leadership has warned of bankruptcy. But still, we leave **\$16 billion** in Medicaid expansion on the table.

It is frustrating

I want **362,000** Louisianans to get access to life giving health care.

I want **18,400** Louisianans with mental illness to get the care they need. This will help them. Protect public safety and likely reduce prison costs.

I want the **\$1.8 billion** in increased economic activity and the **15,600 jobs across all sectors** that would be created if Louisiana did indeed expand Medicaid.

I want to invest on the front end to save on the back end. According to the Governor's own Department of Health and Hospitals the state could save as much as **\$367 million** from Medicaid expansion.

So this is not about handouts. Expanding Medicaid is good for the state as a whole and the simple truth is that Medicaid expansion would help people who are working, but have jobs with little or no benefits.

These are our sales people and child care providers, bus and taxi drivers, food service and hotel employees, musicians, artists, and craftsmen.

Think about the construction workers rebuilding New Orleans - like the woman putting up drywall at the University Medical Center or the guy doing wiring at the Sanchez Center in the Lower 9<sup>th</sup> Ward. We need them healthy and working on these important projects.

Or think about our tourism and cultural workforce. If they aren't healthy that means no music on Frenchman, no art on Royal Street, no food in our

restaurants, no tours of our famous cemeteries, no beautiful Mardi Gras floats, no Jazz Fest, and no **\$11.2 billion** Louisiana tourism industry.

So from construction sites to music clubs it is the same story – these working people are the folks Medicaid expansion is designed to help.

But instead of our workers and our economy getting these benefits, all the money **YOU** pay in federal taxes is going to pay for healthcare for citizens in Arkansas, Ohio, Kentucky and other states.

I can't tell if this is a sick joke or just a nightmare.

And it is the same thing for the high standards of Common Core and funding for our colleges and universities. I hope we can wake up from this terrible dream.

For Common Core - I agree with Jeb Bush, who just endorsed Senator Vitter for Governor; our kids can compete on the highest level. We should stop selling them short. Change the name if you have to, but let's not subject our kids to low expectations and low standards.

In New Orleans our success has been based on creating a system of choice, accountability, and excellence with high standards for all. Let's not turn back the clock. We must compete with kids from California, Florida, Boston, and New York to China, India, and Brazil. Our kids are up to it.

Raise the bar, make our kids work harder and think more deeply - they will be better for it. In fact, it will give them the tools they need to compete in the new knowledge based economy of the 21<sup>st</sup> century.

For funding higher education – I agree with Republican Governor Brian Sandoval from Nevada - funding for higher education should be a top priority.

We can't cut our way to academic excellence. Increasing tuition or fees is a hidden tax. And having our young people pay more and get less is not a recipe for success.

Nevada is not exactly a bastion of liberalism, but the following has been proposed by the Republican Governor.

Spending on higher education **up** 9% to \$1.1 billion.

Spending on prek-12 education **up** \$782 million.

And here is the kicker - **\$520 million** for K-12 education from a new 40 cent increase in the cigarette tax and a new business license fee.

Meanwhile in Louisiana, Governor Foster began investing in higher education which was continued by Governor Blanco. When Governor Blanco left office higher education funding was at the southern average. Fast forward to today, per pupil funding has been cut 42% and LSU our flagship institution is preparing paperwork for the equivalent of bankruptcy.

Did you every think you'd see the day?

Soon, I worry our colleges and universities may look more like online schools with big football stadiums than world class institutions of higher education.

Our kids deserve better and Louisiana needs better. Indeed, the proposed cuts would be especially devastating for New Orleans.

It is hard to see how University of New Orleans could remain viable if the Governor's proposal comes to pass and their state general fund allocation goes from nearly \$29 million to just over \$5 million. It is the same for Delgado, which may lose all but \$5 million of their \$25M in funding. SUNO is in the same boat, facing an 82% state cut.

New Orleans needs these institutions to prepare people for the jobs we are creating and recruiting from firms like GE Capital, which has already partnered with UNO so they can train the workers they need. Who knows if this partnership can continue with these new cuts.

Over the years, in states red, blue, and purple, from Texas to California investments in higher education made a generation ago have paid dividends many times over.

Indeed, in North Carolina because of key investments starting in the early 1970s, the percentage of adults with a bachelor's degree increased 10 points faster than the national average and today their institutions of higher education attract top young talent from across the globe, contribute over \$60 billion to the state's economy and pull in over \$1.2 billion in research grants.

Here is the point – today, businesses can and will go anywhere in the whole world to find the skilled, well-educated, healthy workers they need. Places with lots of these folks will thrive... those places without will struggle to grow.

So to create good jobs in the 21<sup>st</sup> century it is all about investing in our people, big time **human capital**. That is why we need the thousands of people on 'Team Louisiana' to be well-educated and healthy because we're going up against competition from Texas to Taiwan.

So for higher education funding, rigorous prek-12, and Medicaid expansion - the path forward is clear.

But the next Governor also must come into office with a thoughtful, specific philosophy that can serve as a north star for every issue.

In our city, we have the **New Orleans way** and every decision; everything, fits within the framework where we bring people together, make tough decisions and don't leave anyone behind. Cut, reorganize government and invest the savings in what matters most.

So I would ask all the candidates for Governor – what is their philosophy, what is their approach to governing, what are their answers to the tough questions about how Louisiana will protect her **land, people and finances**?

And we shouldn't be content with generalities or ideological platitudes.

If they want to call a special legislative session after inauguration, what would they specifically hope to accomplish and why?

If they say that they are a fiscal conservative – how are they going to structurally balance the budget for the long term, refill the depleted trust funds and not completely destroy the state’s ability to function and remain economically competitive?

If they want to ensure our kids can succeed - how will they create a pathway to prosperity for **every child** that goes from pre-k to college and a job?

If they are worried about income inequality – what is their plan to expand the Earned Income Tax Credit or raise the absurdly low minimum wage where even someone working full time is still stuck in poverty?

If they want to make ‘Louisiana strong’ – what will they do to make health care and higher education accessible?

If they want to repeal the inventory tax – specifically how will they prevent a big tax increase for property owners and make sure local governments can pay for levees, schools and public safety?

If they want to save the coast and protect our land - how will they approach the oil and gas industry and bring everyone to the table to secure permanent and sufficient revenue to restore our coast. How will they ensure our way of life with sustainable drilling today and for generations to come? How will they live up to President Theodore Roosevelt when he wrote, “it is not what we have that will make us a great nation; it is the way in which we use it.”

What is the broader vision for protecting our land, people and budget? We have **the New Orleans way** – what is your way?

Specifics, not generalities or platitudes.

Problem solving, not ideology.

Basic questions we should all ask.

We have major challenges ahead, no doubt about it.



And what happens this legislative session and in the next Governor's race has a profound impact on keeping the hard won momentum going in New Orleans.

This is about the future of the place we call home. Getting back on track and finding our balance again.

There is no point in cursing the darkness when you can light a candle. We've got to fix it. We can do it. There are solutions to our problems.

Through the New Orleans way we have created a remarkable blueprint that the whole state can follow.

We are bound together with one shared destiny.

Let us go forward hand in hand or not at all.

Let's keep pressing on, working together and moving our communities forward, fighting back against those who prefer smoke and mirrors and putting off for tomorrow what should be done today.

I have an abiding faith that we can turn this thing around.

For New Orleans to reach her full potential by our 300<sup>th</sup> anniversary in 2018 the legislature needs to do their part.

The people of New Orleans are counting on it. As Mayor, I am going to make sure their voice is heard. New Orleans and Louisiana is worth fighting for.

